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MANAGERIAL PERCEPTIONS OF THE BUSINESS CASE FOR CORPORATE SOCIAL RESPONSIBILITY

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This paper draws on interviews with 12 investor relations directors. These were used to elicit the mental models respondents used when explaining their firms' motivation to engage in Corporate Social Responsibility (CSR). Four dimensions of CSR-induced competitive advantages emerged: risk, efficiency, branding, and new markets. Respondents from firms with lower social performance drew on less differentiated and less balanced cognitive frameworks (focussing on risk and efficiency). Respondents from firms with higher social performance reported not only more links between CSR and competitiveness, their underlying cognitive models were also more balanced across the four dimensions.

Over the past three decades a debate has been going on among economists and business strategy scholars: Is a proactive stance towards corporate social responsibility (CSR) a mere drain on a firm's profit or can it be a source for sustainable success and competitive advantage? The idea that there might be a "business case" for good corporate ethical behavior goes back more than three decades (i.e. Baumol, 1970; Burke & Logsdon, 1996; Davis, 1973; Hart, 1995; Wallich & McGowan, 1970; WBCSD, 2002). The case for a double dividend is made most forcefully by Porter and van der Linde (1995a; 1995b), who suggest a positive link between competitiveness and environmental regulation.

Many scholars, however, remain skeptical (Palmer, Oates, & Portney, 1995; Walley & Whitehead, 1994), doubting the existence of 'win-win' solutions as they are also often

called: "Unfortunately, this popular idea is also unrealistic. Responding to environmental challenges has always been a costly and complicated problem for managers." (Walley et al., 1994: 46) While they admit that there exist some opportunities for cost reductions from low hanging fruits, they point towards diminishing returns. Thus they expect firms to suffer if they invest much above the industry average into environmental management.

On the other hand, one can ask the question whether a firm engaging in CSR activities exclusively for profit reasons will not fall short of the social and environmental requirements underlying CSR. Such a view would argue for a CSR strategy beyond just the business case (Dyllick & Hockerts, 2002; Figge & Hahn, 2004; Young & Tilley, 2006).

The debate about whether there is at all a business case for corporate responsibility has spurred a multitude of empirical studies correlating Corporate Social Performance (CSP) and Corporate Financial Performance (CFP) (i.e. Aupperle, Carroll, & Hatfield, 1985; Blacconiere & Patten, 1994; Bragdon & Marlin, 1972; Christmann, 2000; Cochran & Wood, 1984; Fogler & Nutt, 1975; Hart & Ahuja, 1996; Klassen & Whybark, 1999; Marcus & Geffen, 1998; Moskowitz, 1972; Russo & Fouts, 1997; Salzmann, Ionescu-Somers, & Steger, 2005; Sharma & Vredenburg, 1998; Spicer, 1978; Waddock & Graves, 1997).

A meta-analysis carried out by Orlitzky, Schmidt, and Rynes (2003) finds that across 52 empirical studies stakeholder mismatching, sampling error, and measurement error can explain between 15 percent and 100 percent of the cross-study variation in various subsets of CSP–CFP correlations. After correcting for this they content that CSP is positively correlated with CFP, and that the relationship tends to be bidirectional and simultaneous. Reputation is found to be an important mediator of the relationship.

In a similar review of 109 of such empirical studies Margolis and Walsh (2001; 2003) find that 54 studies indicate a positive relationship between CSP and CFP, 28 studies reported non-significant relationships, while 20 provided mixed findings. They conclude that their data "suggests there is a positive association, and certainly very little evidence of a negative association between a company's [CSP and CFP]." (Margolis et al., 2003: 277)

While studies into the CSP-CFP link suggest a positive relationship between a proactive stance towards corporate responsibility and a firm's competitiveness they treat CSR induced competitive advantage usually as a single variable. Compared with the hundreds of CFP-CSP studies there is only a small amount of empirical contributions that unpack CSR competitiveness (i.e. Dyllick, 1999; Dyllick, Belz, & Schneidewind, 1997; Reinhardt, 1999, 2000). Yet, very few firms face the decision to engage in CSR independently from their wider core business strategy. Clearly a firm that is in cost cutting mode will look for different benefits from its CSR strategy than a firm that aims to grow its sales by leveraging its CSR activities.

Reinhardt (2000: ix) portrays this notion best in the following statement:

“The debate on business and the environment has been framed in all-or-nothing terms. People ask whether firms ought to be “green” as though there were a categorical answer. This kind of rigid thinking would immediately be seen as inappropriate if applied to most other aspects of business management. Does it pay to build your next plant in Singapore? Increase your debt-to-equity ratio? [...] Of course, the answer is, ‘It depends.’”

It is the intention of this paper to provide more insights into the different types of competitive advantages that managers perceive as springing from their CSR activities. Secondly the paper aims to study the variance in firm behavior. How do firms that chose to invest more in social and environmental activities differ from firms that invest less than the industry average?

THEORY

In order to inform the debate about the business case this paper aims to explore managers' cognitive representation of the business case for CSR in firms with different social performance. Managerial cognition theory sees decision makers as limited information processors. As such decisions usually are based on mental models managers use to give available information form and meaning (Walsh, 1995). These knowledge structures originate from implicit theories derived from past experience (Abelson &

Black, 1986; Nisbett & Ross, 1980) and guide identification, structuring, and analysis of new data (Fiske & Taylor, 1991; Hitt & Tyler, 1991; Sims & Gioia, 1986).

In their study on the cognitive structures of Corporate Social Responsibility (CSR) Boal and Peery (1985) illustrate three main dimensions underlying ethical reasoning about CSR: An acceptable decision had to be perceived as economically worthwhile, as justly affecting all stakeholders, and as protecting or promoting the rights of those affected. Using cognitive mapping techniques Swenson-Lepper (2005) furthermore, shows how education and organizational membership predict ethical sensitivity of respondents.

Taking the discussion a step further Branzei, Ursacki-Bryant, Vertinsky, and Zhang (2004) focus on the evolution of CSR-related knowledge structures over time. They develop a dynamic model of corporate greening showing how satisfactory or unsatisfactory results strengthen or weaken managers' cognitive models.

This paper extends prior research in two ways. First it studies not the knowledge representation of CSR, but rather the managers' representation of how CSR interacts with competitive advantage. Furthermore, the paper builds on Branzei et al. (2004) by proposing hypotheses about how such knowledge structures evolve suggesting that with increased corporate social performance managers' cognition frameworks become more differentiated and balanced.

METHODS

Research Design

The research design of this paper is multiple-case, following a "replication" logic, treating the cases as a series of independent experiments that substantiate or refute emerging insights (Eisenhardt, 1989). This paper draws on a larger data set out of which 12 cases were chosen for study. All companies considered are European multinationals that were at the time of the study stock quoted. (One firm has gone private after the data collection period was finished.)

Cases were chosen following theoretical sampling (Eisenhardt, 1989; Yin, 1989). Three types of companies were identified in the following categories: top performance (firms with outstanding social performance), runner-ups (firms with above average social performance), and followers (firms with average to low social performance). Two public social rating indices were used as proxies for corporate social performance: the Dow Jones Sustainability Index (DJSI) STOXX, and the Ethibel Sustainability Index (ESI) Europe Pioneer. Selection of the two indices was based on a review by Beloe, Scherer, and Knoepfel (2004) in which the authors have compared 11 European and 4 North American rating agencies.

Beloe et al. (2004) have identified Sustainable Asset Management (SAM), the provider of the Dow Jones Sustainability Index (DJSI), as a clear leader with a 'best practice' mention in four of six categories. Launched in 1999, the DJSI is the first global index tracking the financial performance of the leading sustainability-driven companies worldwide. Its index of European firms, the DJSI STOXX consists of the top 25% firms of the Dow Jones STOXX 600 Index (i.e. 150 firms) considered to be leading in terms of social and environmental performance in Europe. Inclusion in the DJSI STOXX can thus be seen as an indication of an above average social performance. Eight out of the twelve firms considered in this study were included in the DJSI STOXX (see Table 1).

The second social rating index used in this study, the Ethibel Sustainability Index (ESI), has been named as best practice in one of the six categories assessed by Beloe et al. (2004). The ESI contains two public indices, the ESI Europe Excellence index which is similar in coverage to the DJSI STOXX (aiming to identify firms with good CSR practice) and the ESI Europe Pioneer index a much more selective measure. For this study the more demanding ESI Europe Pioneer index has been chosen, containing only 86 European firms that are seen by Ethibel to be not just above average but belonging to a more proactive group of "pioneers" in terms of social and environmental performance.

Given differences in methodology of the two rating agencies there remains a certain difference between the DJSI and ESI. Of the 86 firms cited as pioneers on the ESI 37 firms are not included in the DJSI. This leaves an overlap of 49 firms that are covered by both indices (about 8% of the EuroSTOXX 600 or roughly a third of the DJSI STOXX).

TABLE 1
Description of Case Data

	Name	Industry Focus	DowJones Sustainability Index	Ethibel Index
Followers	Dandelion	Consumer	no	no
	Rose	Technology	no	no
	Hyacinth	Raw Material	no	no
	Tulip	Services	no	no
Runner-ups	Magnolia	Consumer	yes	no
	Rhododendron	Technology	yes	no
	Azalea	Raw Material	yes	no
	Lavender	Services	yes	no
Top Performers	Maple	Consumer	yes	yes
	Oak	Technology	yes	yes
	Sequoia	Raw Material	yes	yes
	Hemlock	Services	yes	yes

Based on the data from DJSI and ESI four firms were selected for inclusion in this study in three categories each, resulting in a total of twelve studied firms (see Table 1). The paper considers firms as ‘top performers’ if they were included in the DJSI STOXX and the ESI Pioneer Europe in 2002. ‘Runner-up’ firms had to be included in the DJSI STOXX, however, had to be absent from the more exclusive ESI Pioneer Europe. ‘Follower’ firms had to be absent from both indices.

In order for the study to cover a wide range of CSR issues firms were selected in four sectors: consumer, technology, raw material extraction, and services. Each of these four sectors faces unique CSR issues thus providing a broad and yet balanced sample of firms. In order to protect the confidence of informants firm names are masked with code names in this publication.

Data Collection and Analysis

Data were collected through 12 semi-structured individual interviews. Interviews lasted on average 60-90 minutes and were usually conducted over the phone. During all interviews hand-written notes were taken. In addition all interviews were tape-recorded and subsequently transcribed. The interview guide had four sections. It first probed each respondent's awareness of corporate social responsibility issues. The second part of the interview provided the core part for this paper, focusing on the firm's motivation to engage in corporate social responsibility, and the perceived link with competitiveness. The third part concentrated on the respondents interaction with investors concerning corporate responsibility and competitiveness.

Research into similar questions has often used dedicated CSR managers as informants (see for example an overview of 24 studies by Steger, 2000). While these respondents have the advantage of hands-on experience with the topic at hand they are also more likely to present findings in a positive light. Dedicated CSR managers will be tempted to present their own achievements in a particularly attractive light since this might mean more resources and better career options in their own firm. To avoid this kind of bias this research project has approached investor relations (IR) directors as the main source of information. Due to their position IR directors are usually familiar with activities all across the firm. Ellis describes the aim of investor relations management as:

“help[ing] a well managed company gain appropriate recognition and credibility within the business community for its capabilities and longer-term prospects [and to] help corporate executives to fulfil their fiduciary responsibility to ensure that investors who are selling [...] or buying know they are able to do so at prices that fairly and reasonably reflect true value.” (Ellis, 1985)

Thus IR managers are well placed to assess whether a firm's action is advancing its competitiveness or not. Moreover, as one of the main conduits between socially responsible investors and a firm's CSR department (Hockerts & Moir, 2004) they can be expected to be aware of CSR issues in their firm. Of the twelve interviews in this study ten were with IR directors. In two firms the director delegated the interview to a specific IR manager dedicated to handling corporate social responsibility issues.

Prior to the principal data collection desk research was carried out for each firm. In this process each company's website was reviewed for material pertaining to corporate social responsibility. Of the twelve firms studied all (even the followers) had a link to their CSR website (or an equivalent title) on their corporate front page. Furthermore, web searches for media articles were carried out pertaining to corporate responsibility issues. This data was used as a preparation for the interviews and also for triangulation in the analysis part.

Data analysis used approaches common to qualitative, inductive research studies (Eisenhardt, 1989; Lee, 1998; Miles & Huberman, 1984; Yin, 1989). For each interview a transcript was prepared and studied regarding the key research issue. Codes and sub-codes were developed as the analysis progressed. Each code was then applied to all subsequent interview transcripts. The interview data was supplemented with material from the desk research to verify the reliability of the information received from the respondents. This analysis revealed some small inconsistencies about dates of events and names. However, we have not found considerable discrepancies between the publicly reported CSR strategies and the IR directors account thereof.

As the analysis advanced a few more codes emerged while redundant codes were eliminated. Once all the individual interviews were coded, cross-case analysis was used to develop conceptual insights. In a first phase data from interviews and desk research was analysed only within each of the three firm groups (top performers, runner-ups, followers). Later comparative tables were used to facilitate comparisons across categories. Elements of a potential theory emerged through an iterative process of going back and forth between data and theory (Eisenhardt, 1989). As new insights were integrated in the emerging constructs, the focus of the analysis always returned to the data to probe for inconsistencies or new categories.

DATA

The insights that emerged from the data linked corporate social performance with a set of competitive advantages. The respondents usually identified certain positive (i.e. philanthropy, good governance) and negative (i.e. pollution, discrimination, child labor) attri-

butes of social performance as relevant to their firm. As part of the semi-structured interview guide respondents were then prompted to motivate why they thought their company should or should not take action on CSR issues. A second question probed further whether they felt that such activities created competitive advantages.

The tables presented in the following contain quotes that were selected to best represent a respondent's cognitive representation of the business case for CSR. Each quote corresponds to longer statements that may run over two or three paragraphs. In some tables several quotes are attributed to one respondent; this signifies that the informant has come back to the theme at a later point in the interview.

The Business Case for Corporate Social Responsibility

Why do some firms invest more in corporate social responsibility than others? Previous research suggests different explanations. Bansal and Roth (2000) identify both extrinsic factors (such as competitiveness and legitimization), as well as intrinsic factors such (individual responsibility and ethical motives). This would suggest that the knowledge structures of IR managers in firms with a lower social performance will exhibit both less intrinsic and extrinsic motivation. Cognitive structures of managers in firms with a higher social performance on the other hand should be expected to contain both more competitiveness arguments and more ethical motives.

Walley et al. (1994), on the other hand, postulate that competitive advantage is only a temporary effect. Thus managers in firms from the "runner-up" group would be more likely to perceive competitive advantages than managers in firms from the "leaders" group (since the leaders have presumably already exhausted all win-win solutions and are now facing more trade-offs). According to this logic one would expect that managers from firms in the "leader" group would cite ethical arguments and corporate values more often as drivers of corporate responsibility than competitive advantage.

TABLE 2
The Perception of a Business Case for Corporate Social Performance

Followers	Runner-ups	Leaders
I think if management has a vision which stretches out long term, this actually serves investors better. These different things that you put under the umbrella of sustainability are very often things I would call good business sense. (Rose)	We certainly feel sustainability does add to shareholder value. Overall it has been looked at with a very narrow definition in the past and we try to draw a larger one across different departments here. (Rhododendron)	I think there is no trade off [between sustainability and business value]. If you neglect certain environmental issues, it will affect your economic return. (Hemlock)
I would say CSR can protect you from losing added value. On a very long period, certainly that is true. You can add value if you respect these principles but on a shorter period, I don't think it is possible to say you are adding value. (Dandelion)	If we are seen as responsible [...] we will be presented with more investment opportunities. [...] But you can't measure that directly in terms of the bottom line. So there is an article of faith in here. We believe in it, but the links aren't so obvious. (Azalea)	At the same time, one has to be honest, you don't do sustainable development [unless] you believe it is going to make money for the company in the future. (Sequoia)
I'm not sure I've seen any real evidence for a huge business case. [...] It's very difficult at the moment to prove that. [...] We see [though] a potential for getting a policy that is good ethically, where the company can benefit as well. (Tulip)	Historically, some of the best performing companies [take] into consideration [...] all groups involved in their business. So sustainability in the broad sense will help the perception of the company, which eventually has impacts on earnings. (Lavender)	There is more economic benefit than I would have thought in pursuing a CSR agenda. (Maple)
Of course we are a listed company so profitability remains a key point, but we can achieve this while at the same time paying attention and investing on social and environmental issues. (Hyacinth)	We'll certainly do [CSR] if it's commercially sensible to us. I don't think we'd be in the game of launching products which don't create value in their own right. (Magnolia)	[Responsible social practices] generate profit, in the long term. In the short term it will be difficult to measure. (Oak)

At a first glance the evidence from this study, summarized in Table 2, does not support either Bansal and Roth (e.g. 2000) or Walley et al. (1994). In fact, respondents in all three categories claimed that corporate responsibility increases competitiveness. Ethical motives and individual responsibility on the other hand were hardly ever mentioned. This finding does not exclude the possibility that firms and managers act upon certain social issues out of a conviction that this is the ethical right thing to do, even if it comes at a prize. However, the data suggests that the business case for CSR has so far permeated the consciousness of respondents that they can not admit of another motivation for addressing CSR. In other words professing to “Good Ethics is Good Business” has become a dogma in itself. This trend may have been enforced by the fact that respondents were all IR directors who by their very profession are supposed to be focusing on the creation of shareholder value.

Respondents agreed that the business case for corporate responsibility was difficult to quantify. The IR director at Azalea, for example, suggested that there “is an article of faith”. However, there was a general agreement among respondents that corporate responsibility pays off in the long run, although Dandelion and Oak doubted the possibility for short term payoffs.

However, while there was broad agreement about the fact that CSR has the potential to create competitive advantage in the long run, respondents’ cognitive maps differed significantly in their explanation of how these advantages are generated. Four different dimensions of competitive impacts emerged from the data. Two categories referred to more process oriented opportunities: risk reduction and efficiency, while two other categories concerned market oriented opportunities: branding and new market creation. It was here that clear differences among the three groups of firms could be identified. The next sections elaborate on the emerging insights and describe their grounding in data.

Reducing Business Risks

Previous research has stressed firm risk as a motivation for a proactive stance on corporate social responsibility (Davis, 1973; Dyllick, 1999; Reinhardt, 2000; Yaziji, 2004) Un-

surprisingly, respondents across the study echoed this argument (see Table 3). Of the firms surveyed only two of the leaders (Oak and Maple) did not bring up this issue. The IR director at Dandelion described social performance as a kind of insurance: “[CSR] can protect you from losing added value.” Accordingly many respondents professed a high personal interest in any corporate responsibility related public relations issue in case they impacted their firm’s brand.

Litigation Risk. A first type of environmental risk concerns litigation risk (Olsen, 2002; Reinhardt, 2000). A quick browsing of media databases revealed that all firms surveyed in this study had several cases in which corporate responsibility issues had led to litigation. “If you don't have a strong policy [...] you can become the subject of lawsuits [which] could actually eat up shareholder value,” mused the manager at Rose. Even unsubstantiated rumors about potential litigation can induce negative responses from analysts as Sequoia had to learn.

Regulatory Risk. A second type, regulatory risk, concerns the emergence of stricter regulation. Firms that are hit by new laws unprepared are exposed to potentially huge competitive disadvantages. Thus proactive initiatives can be motivated by a desire to retain freedom of decision making (Davis, 1973). Awareness of this risk was particularly strong among the ‘followers’. All four firms in this category mentioned emerging regulation as a major motivation for their CSR programmes. “If you don't believe [that CSR is key, you] may face new regulations; and complying with these could be very expensive and difficult,” stated for example, Dandelion. Both Rose and Hyacinth reported that product and production standards have been constantly tightening. Being aware of this trend both stated as their aim to stay several years ahead of legislation in order to preserve managerial options. The best illustration for managing regulatory risk could be found at Azalea. As the first player in its industry the company had voluntarily committed to much tougher emission targets than were required by law. When the national environmental agencies began contemplating tougher laws it turned to Azalea for help in how to design the law most efficiently. And when the law was extended to a European level Azalea once again was part of the negotiations as the only firm with several years of data to draw on.

TABLE 3
Reducing Business Risks

Followers	Runner-ups	Leaders
A company that doesn't look at sustainability issues carries risks. [...] If you don't have a strong policy [...] you can become the subject of lawsuits (such as for example in the case of asbestos). This could actually eat up shareholder value. (Rose)	The way we behave is critically linked to our licence to operate. If we are seen as a responsible company, [...] we will be able to deliver our projects on time and budget because we won't find ourselves opposed by communities and governments. (Azalea)	Today the regulatory controls mean that the track record you have with [social and environmental management] is vital for the way you get permits. If you have a good track record, then you get permits to exploit new areas more easily. (Sequoia)
[Our products] have to meet increasingly stringent standards on things like noise pollution and emissions. We know we won't be able to sell [products] if we don't meet these standards. (Rose)	Another example is Greenpeace's [boycott] campaign. [In the long-run] loss of volume starts to have a financial effect and analysts will start saying: 'Do something to sort it out.' (Azalea)	We've had some asbestos rumours over the last couple of weeks which has got people hot under the collar for no justifiable reason. (Sequoia)
We have a number of social policies [...] related to HR [and] we haven't had a serious strike for 12 years. [Our largest competitor] often has strikes and low [employee] morale. We don't have that problem. That is a strong intangible asset [for us]. (Rose)	We're a lot clearer now about the risks involved probably more from a PR point of view. [...] We receive regular reviews to ensure that we're not damaging the value of [our brand] because it's the value of the entity. (Magnolia)	Emissions management – which is important to the local community – has a direct impact on the longevity of our business. [Our plants have a] depreciation time of 40 years, so it's absolutely vital that our business is properly integrated into the local community. (Sequoia)
If you don't believe from the very beginning that [CSR] aspects are key to your activities, later on you could lose money. You may face new regulations and complying with these could be very expensive and difficult. (Dandelion)	In many countries we are the market leaders. That puts us in a lot of limelight [...], placing us close to public eye. [...] [This requires] risk management. (Lavender)	Besides Group Sustainability Management we have [...] an Environmental Insurance Unit and a Greenhouse Gas Risk Solutions Unit. (Hemlock)
[CSR] can protect you from losing [or] destroying value. It's some sort of an insurance. (Dandelion)	Certain investors will not invest in a company if it has a certain [unsustainable] product portfolio. (Rhododendron)	Not explicitly mentioned. (Oak & Maple)
Yesterday, we were on a field trip in Nigeria with investors. [CSR there] is important [...] because our investments are not one-off events. (Hyacinth)	[CSR in the supply chain] is an old issue. We do not get a lot of flak over that because we have a good program in place. (Lavender)	
We have [proactive emissions] targets for 2004, [anticipating] a governmental plan for 2008. (Hyacinth)		
[CSR] has been driven by the government. We don't want to be named and shamed by the environmental minister. (Tulip)		

Campaign Risk. Azalea also cited the risk of campaigns as a relevant motivator: “Another example is Greenpeace's [consumer boycott] campaign. [If such a campaign endures] loss of volume starts to have a financial effect and analysts will start saying: ‘Do something to sort it out.’” Respondents were particularly concerned about campaigns in which they were attacked as representatives of a whole sector. Such “proxy wars” (Yaziji, 2004) are more likely to be aimed at market leaders. This is even true if market leaders do not have the worst social performance. Yet, the media attention NGOs can garner from campaigning against an industry champion means that such firms face a higher risk to be singled out for attack, as Lavender had to find out with view to concerns about human rights issues in their supply chain. Far from being the worst offender Lavender nonetheless was the most visible target in its home market and consequently drew a good amount of flak from concerned NGOs. The government turned out as yet another player in this game. Tulip, for example, confessed to fear of being “named and shamed by the environmental minister.” And Rose cited its social HR policies as the main reason the company hadn't had a serious strike for 12 years, while its largest competitor was regularly subject to strikes.

License to Operate. An extension of campaign risk is a firm's license to operate (DeSimone & Popoff, 1997). Davis describes this as the “iron law of responsibility, which is that in the long run, those who do not use power in a manner which society considers responsible tend to lose it.” (Davis, 1973: 314) Azalea, for example, saw a direct link between a good perception by local communities and the firm's ability to deliver projects on time and budget, “because we won't find ourselves opposed by communities and governments.” This issue was more relevant for firms with industrial facilities such as Sequoia or Hyacinth. Owning plants with a long depreciation time they felt vulnerable to hostility in the local community, as they could not easily delocalise.

Increased Operational Efficiency

Building on the economic law of diminishing returns, past research has emphasized that any double dividends that firms may obtain from environmental management are likely to diminish fast. The idea is that there are only a limited number of low hanging fruit. Once

these have been harvested firms can no longer expect cost advantages from proactive CSR measures (Palmer et al., 1995; Walley et al., 1994). At a first glance the interviews seem to bear out this assumption. Most respondents did not bring up increased operational efficiency as the first motivation for engaging in CSR. Only when probed whether they can imagine any further motivations for engaging in CSR did they mention (much as an afterthought): “And then there are, of course, cost reductions.” This fact would indicate that increased operational efficiency is not the primary motivation for firms to engage in CSR. However, at the same time the data shows that all but two firms (Rose & Hyacinth) eventually came around to discussing cost efficiencies (see Table 4). This would indicate that (although perhaps taken for granted) there are a number of possibilities to increase operational efficiency. The two categories mentioned most were eco-efficiency and employee motivation.

Eco-efficiency. When Porter and van der Linde (Porter et al., 1995a, b) were writing about double dividends they were primarily thinking of cost reductions that had been prompted by proactive environmental initiatives. This is the idea that is at the heart of “eco-efficiency”, a concept popularized by the Swiss businessman Stefan Schmidheiny (1992) and the World Business Council for Sustainable Development (Ayres, Flückiger, & Hockerts, 1995; DeSimone et al., 1997; Verfaillie & Bidwell, 2000) although the term was originally coined in the late 1980s as a means to calculate the economic value added by a firm in relation to its aggregated ecological impact (Schaltegger & Sturm, 1990, 1998).

Dandelion, for example, reported cost advantages from reducing its energy bill. Lavender and Oak also described eco-efficiency gains. The most illustrative example in this category came from Azalea. Its tough voluntary emissions target had been set to address regulatory and campaign risk. There had been no doubt at the outset that these measures would carry a considerable cost, however, the measure was deemed necessary to mitigate firm risk. Yet, as the program was initiated managers at Azalea were surprised to state considerable cost reductions. Against conventional economic wisdom these cost benefits even kept rising over years rather than diminishing.

TABLE 4
Increased Operational Efficiency

Followers	Runner-ups	Leaders
Not explicitly mentioned. (Rose & Hyacinth)	The benefits from being environmentally friendly are extra cost savings. (Lavender)	[Efficiency gains are] all long term. You have to invest more now to save in the long term. (Oak)
Ten years ago it was a huge challenge to reduce energy bills and the impact on the environment, [since then we] have become highly successful -- both from an economic aspect and an environmental point of view. (Dandelion)	For things like carbon trading, at the end of the day, there is an economic benefit and we don't believe these actions we're taking are going to leave us with a massive disadvantage. (Azalea)	The use of alternative fuels [...] is vital not only from an environmental point of view but from a cost point of view. We are getting rid of waste fuels cheaply. And if you look at the increase in oil prices since 2000, the fact that we use waste [...] means we could contain the increase in fuel costs. (Sequoia)
[In operations we] have instituted water and effluent controls. [...] These are cost savings that are environmentally beneficial. [...] We've also been in the vanguard of [chemical] reduction and there is again an environmental benefit as well as a cost saving -- again, a double benefit. (Tulip)	[Azalea] has a very proactive approach to employees [...]. If we nurture that [we] attract the best talent and arguably [we] should do better than those who don't have the best talent. [On the other hand] there could be a big turnover of staff [if a firm is seen as irresponsible] which would have an impact on quality. (Azalea)	We encourage saving fuel by promoting tele-conferencing. We saved nearly €8-9 million in terms of fuel costs last year. [...] Over the last 10 yrs our [environmental programme] has been found to have saved about €900 million [according to a third party audit we have had]. (Maple)
[We] have a long tradition in people development and management development. The training and developmental schemes that we run have been integral to the success of the company and of the culture [...] have benefited the whole group. [...] Can we quantify [the savings from this]? No. But it's been a real factor. (Tulip)	The most important [drive for Corporate Citizenship] comes from employees. [...] Most of the people seeking a job look at these aspects before they choose an employer nowadays. (Rhododendron)	I surely do [think that sustainable practices can add value]. [Hemlock] is very committed to social responsibility and we are known as an employer of choice. We have a reputation as a good employer. (Hemlock)
	In energy [cost] efficiency, we've been pretty good and it has resulted in quite a lot of best practice. (Magnolia)	The energy we buy is considered to be very ecological and it is also at a lower price. So it doesn't always mean you have to spend more to achieve ecological criteria. (Hemlock)

Similar stories emerged at Tulip, Magnolia, Hemlock, Sequoia, and Maple. Sequoia pioneered the use of alternative fuels for waste management reasons. However, following this programme has also proven a cost saver for the company. Similarly Tulip initiated its chemical reduction projects as a reaction to public concern about toxic chemicals. The program has nonetheless, yielded cost reductions. Finally, Maple found that over 10 yrs its environmental programme had saved about €900 million.

Employee productivity. A second important element of increased operational efficiency emerging from the data concerns employee productivity (Branco & Rodrigues, 2006; Morsing, 2006). Azalea, felt that its “very proactive approach towards employees” attracted good talent and helped to reduce staff turnover. Tulip also professed that its tradition in people development has been integral to the success of the company: “Can we quantify that? No. But it's been a real factor.” Rhododendron even stressed that the most important drive for CSR came from employees. Hemlock, also felt that its reputation as a good employer has helped attract staff. Rose, felt that its good labour relations (which were primarily motivated by a desire to reduce the risk of industrial action by trade unions) had translated into higher employee morale: “That is a strong intangible asset [for us].”

Branding

There is a large literature pertaining to social branding, which describes opportunities from differentiating products along social or environmental lines (i.e. Belz, 2006; Charter & Polonsky, 1999; Hansen & Schrader, 2004; Menon & Menon, 1997; Reinhardt, 1998). Compared with the two competitive advantages discussed so far branding emerged as a clear difference among the followers on the one hand and runner-ups and top performers on the other hand (see Table 5).

TABLE 5
Social Branding

Followers	Runner-ups	Leaders
Not explicitly mentioned. (Dandelion, Tulip, Rose & Hyacinth)	Not explicitly mentioned. (Rhododendron)	Not explicitly mentioned. (Sequoia & Maple)
	[Magnolia is] one of the most trusted brands in our home market. [It is] about trust, integrity, and reliability, which, in a CSR sense, give us a bit of a head-start. People look at us and expect us to be doing the 'right thing'. (Magnolia)	For [product line D] we are already in line with EU [regulations three years ahead of time]. No other producer has this regulation implemented. [...] This is a benefit for the customer who can [apply for] a tax exemption [due to lower emissions]. [And because of this] we are selling more. (Oak)
	If you take sulfur out of gasoline products before anyone else, you'll see initially a financial disbenefit. You're producing an ultra-clean product, [but] you're selling typically at the same price. [However,] the idea of doing that, is that customers will appreciate what you're doing and you'll benefit later. (Azalea)	Up to now [our ecologically branded product] it is not really a success measured in [units] sold. [However] people may say 'Even if I don't buy [their dedicated eco-products], I buy an Oak product because this producer is also socially responsible'. [These clients do] not necessarily [buy] our environmentally friendly product but [they buy] our other products. (Oak)
	Primarily, the customers are driving [Corporate Social Responsibility]. The customer has shown a lot of interest in organic products, service levels, diversity in personnel in stores etc. (Lavender)	[Compared to competitors, Oak] has a premium in the market [...]. You might say this is due to our engagement in sustainability. [...] It might be the customer is willing to pay for this because of Oak's reputation, including its commitment to sustainability. It's a mix of reasons, but there is a premium price indeed. (Oak)
		Often, in the government / public contracts, they want to see what we've done so far in things like diversity relations. We won "diversity employer of the year" last year. [...] [Public clients] want to know if this is something that you're managing, not letting drift. (Maple)
		I think that a company like [Maple] can make some good press publicity out of [CSR]. We were once a monopoly supplier, a most-hated company, and now [clients with emotions] like these are an exception. (Maple)
		[Our internal analysis shows that CSR] does affect the customer base through our image. [We found that] half of the factors impacting image are due to CSR. (Maple)

The strongest endorsement came from Lavender: “Primarily, the customers are driving [Corporate Social Responsibility]. The customer has shown a lot of interest in organic products, service levels, diversity in personnel in stores etc.” Maple, having traditionally had a negative brand image (“We were once a most hated company”), felt that CSR helped to lift its downbeat image. Through market studies the company was able to show that half of the factors impacting Maple’s image were directly or indirectly linked to its CSR strategy. All in all four types of branding emerged from the case data.

Premium Pricing. The biggest debate among academics pertaining to whether CSR drives product branding hinges on the question of the willingness of clients to pay a premium for socially or environmentally superior products (Charter et al., 1999; Wüstenhagen, 1998). Respondents were very sanguine about such prospects. Only the IR manager from Oak felt that his firm’s ability to achieve higher margins for its products was also due to the brand being perceived as highly committed to sustainable development.

Customer Acquisition. Respondents were also rather doubtful about the ability to acquire new customers because of their CSR activities. Only Oak professed that it was leveraging its advanced products to increase sales. Since clients were eligible to tax exemptions if they used Oak’s low emission products the company felt that it was attracting clients from the competition and could thus to increase its sales.

Share of Wallet. Not all ecological products at Oak were selling well though. Indeed, so far Oak’s most celebrated ecologically branded product had not sold many units itself. However, the company felt it benefited nonetheless by being able to cross-sell other products in the same range based on the corporation’s overall image of social responsibility. Similar trends existed at Lavender where so called “fair trade” products were used successfully to attract clients who then purchased also from Lavender’s traditional product stock.

Customer Retention. Finally Maple reported that CSR was a good tool to retain customers in a highly competitive market. Particularly with governmental clients Maple felt that its CSR reputation played a decisive role in retaining contracts.

All in all respondents were rather hesitant to endorse the potential of CSR branding. A response from Azalea explains why: "If you take sulfur out of gasoline products before anyone else, you'll see initially a financial disbenefit. You're producing an ultra-clean product, [but] you're selling typically at the same price. [However,] the idea of doing that, is that customers will appreciate what you're doing and you'll benefit later."

Creating New Market Space

The fourth type of competitive advantage to emerge from the data concerns the notion that CSR is also a driver for the creation of new market space. Hockerts (2003), for example, describes how social innovations often start in the NGO or voluntary sector, where they are usually ignored by business. Only as these innovations grow do they develop their full competitive potential. Social innovations have been labeled a "break-through discipline for innovation" (Fussler, 1996), as a "source of creative destruction" (Hart & Milstein, 1999: 23), as well as the beginning of the "next industrial revolution" (Braungart & McDonough, 1998: 82; Lovins, Lovins, & Hawken, 1999: 1; Senge & Carstedt, 2001: 24), or a source for "the great leap downward" (Christensen, Craig, & Hart, 2001: 92). From this has emerged a large number of publications advancing management tools for furthering the creation of new markets through social innovation (Cohen, Smith, & Mitchell, in press; Fussler, 1996; Hockerts, 1999; Mair & Marti, 2006; McDonough & Braungart, 2002a, b; Randelovic, O'Rourke, & Orsato, 2003; Wüstenhagen, 2003).

While the creation of new market space through social innovation has received much academic attention it emerged as relevant to only a minority of firms studied here (see Table 6). Only one runner-up (Azalea) and three top performers (Oak, Hemlock, and Maple) mentioned the creation of new market space as a motivation for engaging in CSR activities.

TABLE 6
Creating New Market Space

Followers	Runner-ups	Leaders
Not explicitly mentioned. (Dandelion, Tulip, Rose & Hyacinth)	Not explicitly mentioned. (Rhododendron, Lavender, Magnolia)	Not explicitly mentioned. (Sequoia)
	We realize greenhouse gases are an issue. [...] We [have moved into] gas and renewables. We have research going on carbon sequestration [as well as] the use of hydrogen. [Gas] is a real business, [and renewables] are a development business. They give us options for the future. [...] What shareholders need to know, is what is the cost of holding those options? (Azalea)	<p>We are not constructing products for one or two years. It is for 10 years or more -- the long term. [Accordingly] we are always thinking ahead to avoid damage to the environment. Today we market a [product that is by far the leader in terms of fuel efficiency], but we also have a [product in the conceptual stage that is even three times more efficient than that]. (Oak)</p> <p>We have [...] a Greenhouse Gas Risk Solutions unit. [...] Greenhouse gas emission certificates [...] could evolve [into a new business] and it is worth considering such criteria if you are exposed to this area. (Hemlock)</p> <p>We're selling the [Maple] environmental management [system] on retail. The system developed internally is a web based environmental database checklist and it sells primarily to government departments. [...] It is a significant revenue for us. This application uses our core competencies. (Maple)</p> <p>[New services that reduce environmental impact include] teleworking and we aim to achieve around €150 million by selling digital home office solutions [that make much business travel unnecessary]. (Maple)</p>

Real options. A first way in which the interviewed firms were using CSR to generate new market space was through the creation of options on the future. Azalea, for example, explained that it had identified the challenge of greenhouse gases as a major issue. As a result the company has invested heavily in gas and renewable energy, two sources of energy that are more CO₂-efficient than traditional oil or coal. The company has also sponsored research into carbon sequestration and the use of hydrogen. While gas had developed into a real business, Azalea saw renewables as a development business: “They give us options for the future. [...] What shareholders need to know, is what is the cost of holding those options?”

Hemlock described a similar strategy. Having identified carbon emissions as potentially relevant the company has founded a Greenhouse Gas Risk Solutions unit. Its hope for new markets was mainly centered on greenhouse gas emission certificates, which it hoped to grow into a new business area.

Oak also stressed the importance of integrating CSR issues in exploratory product development. Given the long lead-time it takes that company to put products into the market Oak professed to think up to 10 years ahead when designing new products. At the point of the study Oak had just launched a product that was the market leader in terms of fuel efficiency. Nonetheless, Oak engineers had already developed a prototype for a follow-up product that was even three times more efficient than the current one.

Commercialization of Core Competences. Maple described a different way through which it leveraged CSR to create new markets. After having developed a set of unique core capabilities through its cutting edge environmental management system, the company then started to sell its web based environmental database checklist to government departments: “It is core and a significant revenue for us.”

Maple used the same technique to leverage on its teleworking know-how. The technique had been developed internally to curtail energy consumption and cost related to conference travel. After having refined the programme Maple then decided to launch a commercial offer aiming for €150 million from digital home office solutions.

DISCUSSION

As described above the IR directors interviewed in this study represent information about the business case for CSR by drawing on four distinct knowledge structures. They describe process oriented opportunities such as risk reduction and operational efficiency, as well as market oriented opportunities such as social branding and new market creation. These categories mirror broadly those suggested by prior literature (i.e. Dyllick, 1999; Reinhardt, 1999; 2000; Schneidewind, 1995). However, the findings from this study extend our understanding of the business case question in several ways.

Cognitive Differentiation. As Table 7 demonstrates IR directors from firms with a higher CSR performance reported more case examples of competitive advantages resulting from their CSR strategy (11 for followers, 15 for runner-ups, and 18 for leaders). This is not surprising as it can be expected that managers in these firms are more exposed to social projects and thus have more opportunities to learn about a potential business case. The only type of competitive advantage for which an opposite trend was found concerns risk reduction. Here followers gave more examples (8) than runner-ups (6), and leaders (4). Actually two leaders didn't even refer once to risk reduction as a motivation for their CSR programmes.

Cognitive Balancing. A second trend emerging from data concerns the types of competitive advantages found. Here awareness runs from risk reduction (18 mentions) via operational efficiency (13), to branding (8), and new market creation (5). These findings indicate that generally speaking process oriented opportunities (risk and efficiency) outweigh market advantages (branding and new markets). This would indicate the large academic attention paid to social marketing and social innovations does not match with the actual preoccupations of firms. In general companies seem to see more potential in humdrum operational benefits such risk and efficiency than in market opportunities.

TABLE 7
Mention of CSR Competitive Advantages by Firm and Type of Advantage^a

	Followers					Runner-ups					Leaders					Grand Total
	Dandelion	Rose	Hyacinth	Tulip	Subtotal	Magnolia	Rhododendron	Azalea	Lavender	Subtotal	Maple	Oak	Sequoia	Hemlock	Subtotal	
Risk Reduction	2	3	2	1	8	1	1	2	2	6	0	0	3	1	4	18
Operational Efficiency	1	0	0	2	3	1	1	2	1	5	1	1	1	2	5	13
Product Differentiation	0	0	0	0	0	1	0	1	1	3	3	2	0	0	5	8
New Market Creation	0	0	0	0	0	0	0	1	0	1	2	1	0	1	4	5
Total					11					15					18	

^a We tested the null hypothesis (i.e., of no relationship between type of firm and type of advantage) using several statistics for ordinal by ordinal data (Somer's d, Kendall's tau-b, and Gamma). All convincingly rejected the null hypothesis ($p < .001$).

The situation becomes more nuanced when the individual level of a firm's social performance is taken into account. Table 7 indicates also that firms with a high social performance are much more balanced in how they perceive competitive advantages (risk 4, efficiency 5, branding 5, market creation 4) as opposed to the followers group (risk 8, efficiency 3, branding 0, market creation 0). Different explanations offer themselves for this finding.

Cognitive Development. These findings indicate the existence of knowledge development processes. As firms engage more in CSR activities their cognitive frameworks become both more differentiated as well as more balanced. From the data collected here it would seem that in order to reap market opportunities from CSR firms need specific arrangements scripts. Arrangements scripts are knowledge structures about the use of specific arrangements that support performance and expert-level mastery in a given domain (Mitchell, Smith, Seawright, & Morse, 2000). The data presented here suggests that the exploitation of branding and new market related competitive advantages requires the creation of knowledge structures that result from investments in corporate social performance. Examples for such scripts could be CSR management and communication tools (i.e. Beske, Koplin, & Seuring, 2006; Burritt & Saka, 2006; Kuhndt, Tunçer, & Liedtke, 2003; Morsing & Schultz, 2006; Seuring, 2004; Vallentin, 2007; Von Hauff & Kleine, 2006) that in turn can initiate corporate learning processes (Müller & Siebenhüner, 2005).

Typical examples from the data include Maple's capitalization on its environmental management system which required the firm to build up internal capabilities first, before the tool could be marketed successfully. Similarly for Lavender to be able to develop offers around fair trade the company first had to develop an understanding of the social issues of production in developing countries.

One could also assume that an excessive presence of risk and efficiency related scripts (as experienced by the 'follower' group of firms) might lead to information-processing shortcuts which could obscure branding or new market related opportunities. Thus firms who see CSR merely through the prism of risk and cost are not mentally ready to imagine CSR opportunities in the market place.

CONCLUSIONS

The paper investigates how IR directors represent the different types of competitive advantages their firms derive from corporate social responsibility activities. The motivation is that CSR research has become stuck on the question of correlating social and financial performance at the expense of studying different types of competitive advantages firms may derive from CSR programs, which is actually at the foreground of many managers' preoccupations.

This paper finds that managers from all firms have mental models in which CSR programs are primarily motivated by competitive advantages. However, there is a clear bias among firms with average or below average social performance towards measures resulting in risk and cost reductions. High performers on the other hand are much more balanced in their perception of CSR as a source of competitive advantage. What managers should take away from this research is the realization that they may unlock more competitive advantages if they put their mind to. The build up of legitimacy and of capabilities will take time and resources. However, the first step is in managers minds. By reconceptualizing CSR as a market opportunity and not just a threat to be avoided firms may be able to extend the benefits they reap from their CSR programs.

The conclusions to be drawn from the data in this study are limited in several ways. This study only points to a link between more differentiated mental maps of the CSR business case and social performance. It does not prove causation. Is it that firms whose managers have more differentiated models of the CSR business case eventually invest more in their social performance? Or is it that managers in such firms are exposed more to CSR thinking and therefore have more differentiated cognitive models? Intuition would suggest a mix of both effects, but no data is available as yet to analyze the question.

It is also important to remember that this study does not explore the business case directly. It only elicits the perceptions of managers about the business case for CSR. A competing explanation for the findings of this study could be that with increasing CSR expenditure IR managers feel pressured to justify these investments. This might explain

why managers in firms with higher CSR performance gave more examples of the business case. Future research will have to control for the possibility of such an effect.

Another interesting extension of the research begun here would be a study of the creation of group level cognition about the business case for CSR. How does the representation of this issue differ between managers at HQ level and those in business units? Similarly the construction of industry wide cognitive maps and their evolution over time offers development options.

Interested scholars may also take away from this research the need for more differentiated quantitative studies of the CSP-CFP relationship. Measurements will most likely have to vary depending on which type of competitive advantage a researcher wants to capture. The use of accounting data seems to be well suited to assess cost efficiency gains that are likely to show up in the balance sheet relatively close to a firm's CSR activities.

Risk measures, however, are likely to play out in the long run making a longitudinal study of a stock's beta more applicable. So far such studies were difficult since longitudinal CSP data was very difficult to obtain. However, now that several rating agencies have generated CSP data running back up to ten years these studies might be more practical. Researchers interested in social branding may find it useful to concentrate on brand premiums, brand recognition, and the growth of market share. Finally there remains the creation of new market opportunities. This type of competitive advantage will be most difficult to study owing to the long time horizons. Retrospective case histories seem to be the most useful way of study for this type of competitive advantage for now.

If the theory emerging from this paper survives empirical test, it will extend our theories of CSR beyond the all-or-nothing type of argument underlying most of the CSP-CFP debate. This in turn will hopefully lead to a more relevant description of the CSR challenges faced by most managers.

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